



1. Overview

The **North Carolina Community Development Initiative** (“The Initiative”) is a statewide targeted investment strategy that creates an efficient means for government, financial institutions, and foundations to invest in economic recovery throughout North Carolina. Acting as a conduit to highly effective community based enterprises (including community development corporations “CDCs”) the Initiative and its investees produce measurable, positive and enduring results. The Initiative leverages and invests funding in projects and services that catalyze change creating and supporting jobs, businesses, infrastructure, housing, and community facilities. This results in an expanded tax base and economic opportunity in North Carolina’s most difficult and underserved areas. The Initiative manages and protects each investment with due diligence, monitoring, and quality technical assistance resulting in stronger and better outcomes for communities.

The Initiative has become a national model of a public-private partnership built to stimulate economic development in underserved areas leveraging the strengths of financial institutions, foundations, and government. This model works to build local capacity in community enterprises (CDCs) which are able to get to scale and replicate various projects in difficult areas. There is now a network of these community enterprises that have capacity and institutional knowledge to grow this practice of community economic development throughout the state.

During the last 17 years, the Initiative has supported and invested in over a half billion dollars in completed projects that have provided opportunity for the most needy, helped to stabilize families and communities and expanded the tax base in every place of engagement. An example of the results and potential of the Initiative’s investment strategy is the recent \$10 million capital investment from State Farm Insurance Company to continue to invest in North Carolina business and housing development activities. Currently, the Initiative is in discussion with a major corporation that brings an international corporation in a partnership to bring energy efficiency technology and capital to retrofit buildings throughout North Carolina. This partnership will create job training opportunities and jobs for our unemployed, support small business and small contractors, reduce our energy consumption and protect our environment.

Programmatic Areas

The Initiative has three programmatic areas of work: financial assistance, research and development, and organizational development support:

Financial Assistance

The Initiative has been making grants on a competitive basis to nonprofit organizations through processes that tie the funding to results. Each year we conduct a competitive process for our traditional Grant Program. From time to time we sponsor special grantmaking programs, such as our Turn-Around Investment program, Green Agenda Investment Program, Innovation Investment program and Hurricane Relief activities. In addition to grants, we provide a variety of project financing through our CDFI, Initiative Capital.

Research and Development

One of the most important roles that an intermediary can play is in testing, documenting and disseminating information about model tools, practices and programs that the field can implement. Individual CDCs cannot afford to risk their limited resources to test an unproven strategy, or to "buy" the expertise necessary to constantly innovate. The Initiative carries out a number of research and development functions – funding strategic first-time projects, creating and attracting investment for new financing tools, and sponsoring demonstration projects and evaluations as resources allow. Examples of the results of this activity would be our trademarked EnviroSteel house plans, our partnership with Advanced Energy to develop what is now the System Vision Program, and our Youth Leadership Curriculum.

Organizational Development

The Initiative pairs our financial assistance with technical assistance that is geared to the very specific organizational and program development, collaborative, leadership, and learning/evaluation needs of the CDC. In addition to technical assistance to build organizational capacity, the Initiative offers a minimum of two training conferences each year directed at building skills, knowledge and relationships.

Project Example including All Programmatic Areas

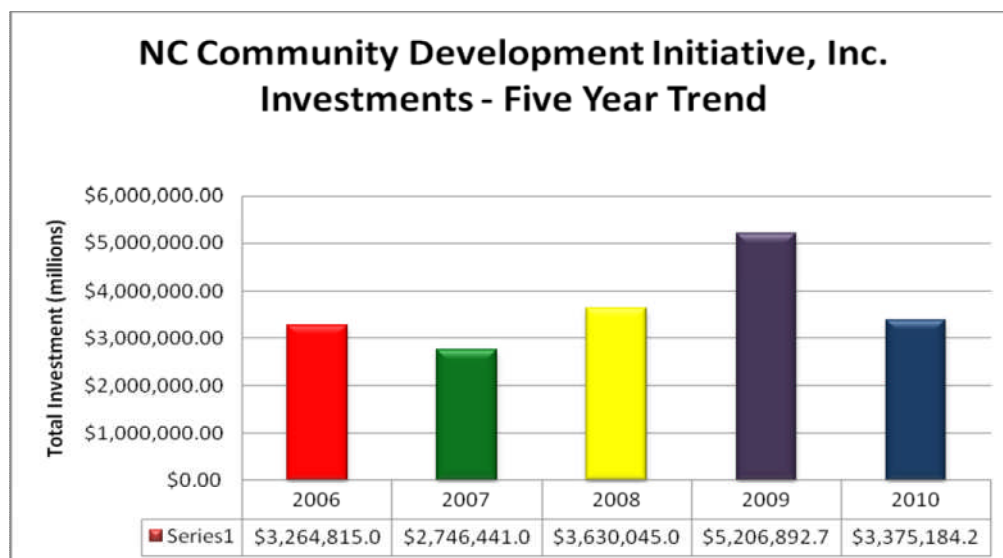
An example of how the Initiative acts as a catalyst to create an efficient means for financial institutions, government entities and private businesses to engage is currently under construction in Cumberland County. This project is being sponsored by Kingdom CDC and includes land donated by the Town of Spring Lake and Cumberland County bringing in federal and state resources. With the assistance of the Initiative, Kingdom provided overall leadership coordination, pre-development funding relative to market analysis, feasibility, and negotiations with city, county and private partners. The private partner provided development expertise and net worth to attract private capital necessary to get the project built. This project would not have been possible without the Initiative's continued grant and debt investment. The private bank would not make its investment available without the Initiative's money in first. This \$8,500,000 project represents: continued yearly financial and technical support from the Initiative, \$300,000 in project

grant funds from the Initiative, \$500,000 of debt from Initiative's subsidiary, \$6.5 million in a conventional bank loan, and \$1.2 million from Cumberland County.

This project contributes to the overall economic recovery. There are local purchases from vendors, engagement of local professional services, hiring of contractors and subcontractors during construction phase, a creation of permanent jobs for the life of the project, and a contribution back to the local tax base for the life of enterprise.

2. Performance measures, accomplishments, and/or benchmarks

From 2009 - 2010, the Initiative deployed more than \$8,500,000 in investments, and other special grants making a total of 110 different investments in CDCs and other community-based organizations. Grantees also received hands-on technical assistance to build staff, board or other programmatic capacities necessary to reach their goals. The chart below outlines our grantmaking volume for the last five years.



In addition to our grantmaking activity, from 2009 – 2010 our affiliated CDFI, Initiative Capital, provided 32 loans totaling \$4.7 million to 11 organizations for land acquisition, permanent financing, or gap financing purposes, helping to advance 41 units of affordable housing and 103,715 square feet of commercial property. By the end of 2010, Initiative Capital's total portfolio was worth \$8.7 million. Initiative Capital is also participating in the State's Neighborhood Stabilization Program, providing financing of organizations to purchase and rehabilitate foreclosed homes and buildings.

3. Total budget for FY 2009-10 with a breakout of the source of funds

North Carolina Department of Commerce	\$4,782,300
Z. Smith Reynolds	\$ 750,000
F.B. Heron	<u>\$ 100,000</u>
	\$5,632,300

4. Total amount of funds held in cash, short-term investments, and long-term investments.

Funds held in cash total \$10,519,842. Of that amount: \$4,167,989 is donor restricted for programs, \$1,088,167 is restricted by debt covenants, \$1,747,667 are short-term investments designated for debt service and \$3,516,019 is for operations and grant program.

5. Percent of funds (all sources) used for administrative purposes
13%

6. Employees

a. Number of FTE = 11.8

b. Salaries of Top 5 Highly Compensated Individuals

Top five compensated individuals are

Chief Executive Officer = \$139,913

Chief Lending Officer = \$95,000

Chief Operating Officer = \$95,000

Chief Financial Officer = \$82,000

Residential Real Estate Development Officer = \$70,000

c. Explanation of what benefits are available to employees

- Health Insurance – Medical and Dental

- Life Insurance

- Long-term disability/Accidental death and dismemberment

- Flexible Annuity Plan

-AAA membership

- Health Reimbursement Account

7. Board Operations

a. Number of board members

13

b. Total expenses for board, with State funds broken out

\$3,654 total; \$2,247 State used for meeting expenses

c. Frequency of board meetings

Quarterly

d. Per diem, travel and other amounts paid to board members, broken out on a per diem basis

No per diem, travel or other amounts were paid to board members.

8. Use of State Funds

a. Percentage and dollar amount used for administrative expenses

12% /\$604,176

b. Percentage and dollar amount used for grant programs, broken out by program

88%/\$4,370,472

c. Percentage and dollar amount used for other, non-grant-making programs, broken out by program

none